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6 **IN THE UNITED STATES DISTRICT COURT**
7 **FOR THE DISTRICT OF ARIZONA**
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9 Kenneth L Karlberg, et al.,

10 Plaintiffs,

11 v.

12 FH Stone Canyon Sales and Construction
13 LLC, et al.,

14 Defendants.

No. CV-22-00276-TUC-RCC

ORDER

15 Pending before the Court is Defendants' Motion to Remand to State Court. (Doc.
16 7.) This matter has been fully briefed. (Docs. 7, 13, 16.) The Court held oral argument on
17 February 7, 2023. The Court will grant Defendants' Motion to Remand.

18 **I. Background**

19 Plaintiffs Kenneth Karlberg and Lisa Karlberg (Plaintiffs or "Karlbergs") brought
20 suit in Pima County Superior Court against Defendants FH Stone Canyon Sales and
21 Construction, LLC and FH Stone Canyon Construction, LLC (Defendants or "Fairfield
22 Homes") for breach of contract and violation of Arizona's Consumer Fraud Act. (Doc. 1
23 at 2.) Defendants filed a First Amended Counterclaim in state court in which they alleged
24 several state law claims including defamation, libel per se, conversion, and unjust
25 enrichment. (Doc. 1-3 at 3–4.) Defendants asserted that "Plaintiffs, without permission,
26 consent, or any legal justification, used Defendants' building plans without payment,
27 permission or payment of consideration[,]" underpinning their conversion claim. (*Id.* at
28 4.) As the basis for their claim of unjust enrichment, Defendants assert "Plaintiffs used

1 Defendant's building plans, permitting fees, time and overhead in order to bid and
2 construct their new home." (*Id.*) Thus, Defendants seek compensation for the value of the
3 plans, permitting fees, time, and overhead. (Doc. 7 at 6.)

4 **II. Motion to Remand**

5 On June 21, 2022, Plaintiffs filed a Notice of Removal to the district court
6 "pursuant to 28 U.S.C. § 1441(a), 28 U.S.C. § 1331 (Federal Question), and [28] U.S.C. §
7 1367 (Supplemental Jurisdiction)." (Doc. 1 at 1.) Defendants timely filed a Motion to
8 Remand arguing this Court does not have jurisdiction because Defendants did not allege
9 any federal claims in their First Amended Counterclaim. (Doc. 7.) Defendants state that
10 "[n]o claim for copyright infringement has been asserted and none will be asserted by
11 these Defendants because the property at issue, Defendant plans, were never
12 copyrighted." (*Id.* at 3.) They further argue that their counterclaims for conversion and
13 unjust enrichment are not preempted by the Copyright Act because the rights are "not
14 equivalent to any of the exclusive rights within the general scope of copyright" (*Id.*
15 at 4 (quoting 17 U.S.C. § 301(b)(3)).)

16 Plaintiffs argue that Defendants' counterclaims for conversion and unjust
17 enrichment are, properly pled, copyright infringement claims under the Federal Copyright
18 Act. (Doc. 13 at 13.) They assert Defendants engaged in artful pleading to purposefully
19 avoid federal jurisdiction on an issue that is preempted by federal law despite the fact that
20 Defendants never registered a copyright for the plans. (*Id.* at 9–22.)

21 **III. Discussion**

22 At oral argument, the Court offered its opinion that this case does not present a
23 copyright claim. However, the Court also noted that it sees a more glaring threshold issue
24 with this removal that requires remand without further addressing the copyright
25 questions. Specifically, Plaintiffs removed this action pursuant to the general removal
26 statute, 28 U.S.C. § 1441(a), and are not permitted to do so even as a defendant to a
27 counterclaim.

28 A civil action originally brought in state court, but over which a federal court

1 would have original jurisdiction, "may be removed *by the defendant or the defendants*, to
2 the district court . . . for the district and division embracing the place where such action is
3 pending." 28 U.S.C. § 1441(a) (emphasis added). There was a brief period of time when
4 "'either party' to the suit [had] the privilege of removal." *Shamrock Oil & Gas Corp. v.*
5 *Sheets*, 313 U.S. 100, 104–05 (1941). This is no longer the law. When Congress revised
6 the removal statute, it omitted the phrase "either party" and replaced it with "by the
7 defendant or the defendants." *Id.* at 106–07. In *Shamrock Oil*, the Supreme Court
8 reasoned that this deliberate revision demonstrated an intent "to narrow the federal
9 jurisdiction on removal." *Id.* at 107. Thus, it concluded that, even where a defendant files
10 a counterclaim, a plaintiff is not a defendant and cannot remove to federal court. *Id.* at
11 103, 107.

12 The Supreme Court recently reaffirmed that removal is not proper under § 1441(a)
13 by *any* counterclaim defendant, including original plaintiffs and third-party counterclaim
14 defendants named for the first time in the counterclaim. *Home Depot U.S.A., Inc. v.*
15 *Jackson*, 139 S. Ct. 1743, 1748–49 (2019). The Court further explained, "Section 1441(a)
16 . . . does not permit removal based on counterclaims at all, as a counterclaim is irrelevant
17 to whether the district court had 'original jurisdiction' over the civil action. And because
18 the 'civil action . . . of which the district cour[t]' must have 'original jurisdiction' is the
19 action as defined by the plaintiff's complaint, 'the defendant' to that action is the
20 defendant to that complaint, not a party named in a counterclaim." *Id.* at 1748.

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